

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 H-02 COME-00 EB-11 L-03 TRSE-00 OPIC-12

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 1368

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E. O. 11653: N/ A

TAGS : RDIS, EFIN, NU

SUBJECT: KANSAS DEVELOPMENT COR., PROPOSED
INVESTMENT

REF: STATE 075417

1. PRINCIPALS OF KANSAS DEVELOPMENT CORP. CALLED ON EMBOFFS MORNING OF APRIL 24. THEY EXPLAINED THAT THEY NEEDED A PROMPT DECISION FROM MINISTER OF ECONOMY AS TO WHAT CUSTOMS CLASSIFICATION WOULD BE APPLIED TO THE PRE- FABRICATED UNITS THEY HOPED TO IMPORT FOR THE NEW HOTEL. DEPENDING ON CLASSIFICATION, THEY WOULD THEN DECIDE WHETHER OR NOT THE PROJECT WAS FINANCIALLY VIABLE. BECAUSE OF DELAYS, THEIR MOBILE HOME SUPPLIER WAS THREATENING TO SELL THE UNITS ELSEWHERE. THE GROUP HAD NOT YET CONSULTED THEIR LOCAL PARTNERS ON THE STATUS OF CLASSIFICATION DETERMINATION, BUT SAID THEY WANTED THE EMBASSY TO BE AWARE OF THIS SITUATION. EMBOFFS SUGGESTED THEY RETURN LATER IN THE DAY IF THEY FOUND THEY STILL NEEDED HELP IN EXPEDITING A DECISION.

2. GROUP RETURNED IN AFTERNOON TO REPORT THAT MINISTER HAD RESPONDED TO THEIR LOCAL ATTORNEY, BY INDICATING HE WAS INCLINED TOWARD HIGH DUTY CLASSIFICATION OF " MOBILE HOME", BUT WITHOUT MAKING A DEFINITIVE DETERMINATION. GROUP THEN MET WITH AMBASSADOR, AND INFORMED HIM IN
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DETAIL OF THEIR PLANS AND PROBLEM.

3. THE AMBASSADOR ATTEMPTED TO CONTACT THE MINISTER OF ECONOMY BUT WAS UNABLE TO LOCATE HIM. LATER THAT EVENING, IN THE COURSE OF A MEETING WITH GENERAL SOMOZA, THE AMBASSADOR RAISED THE PROBLEM. THE GENERAL REPLIED THAT HE WAS FAMILIAR WITH IT. HIS NEPHEW, GUILLERMO SEVILLA SOMOZA, A PARTNER IN THE VENTURE, HAD ALREADY CALLED IT TO HIS ATTENTION. SOMOZA SAID HIS POSITION WAS THAT THE NEW HOTEL WAS WELCOME, PROVIDED THE OWNERS PAID THE FULL IMPORT DUTIES FOR MOBILE HOMES. HE COULD NOT MAKE AN EXCEPTION IN THIS CASE BECAUSE IT WOULD SET A PRECEDENT AT A TIME WHEN LITERALLY THOUSANDS OF PERSONS WANTED TO IMPORT SIMILAR UNITS FOR TEMPORARY HOUSING, OFFICES, ETC. TO PERMIT IMPORT OF FULLY FINISHED AND FURNISHED UNITS AT SPECIAL TARIFF RATES WOULD UNDERCUT LOCAL CONSTRUCTION AND MANUFACTURING INDUSTRIES WHEN THEY NEED ALL THE BUSINESS THEY CAN GET. MOREOVER, SINCE A MEMBER OF HIS FAMILY WAS INVOLVED IN THE PROJECT, THE OPPOSITION PRESS WOULD CHARGE HE WAS SHOWING FAVORITISM AT THE EXPENSE OF LOCAL JOBS.

4. EMBOFFS CONVEYED THE SUBSTANCE OF THE FOREGOING TO THE KDC GROUP APRIL 25. THE GROUP SAID THEY WOULD TAKE ONE MORE LOOK AT THEIR FIGURES, BUT STRONGLY DOUBTED THEY COULD PROCEED WITH THE PROJECT WITH THE HIGH IMPORT DUTIES. THEY EXPRESSED APPRECIATION FOR THE ASSISTANCE IN CLARIFYING THE MATTER.

5. COMMENT: IN OUR MEETINGS WITH THEM, THE GROUP INDICATED THAT IF THEY HAD TO DO IT OVER AGAIN, THEY WOULD HAVE TIED DOWN THE CUSTOMS AND OTHER LEGAL REQUIREMENTS BEFORE COMMITTING THEMSELVES SO DEEPLY. THE EMBASSY AGREES.
SHELTON

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